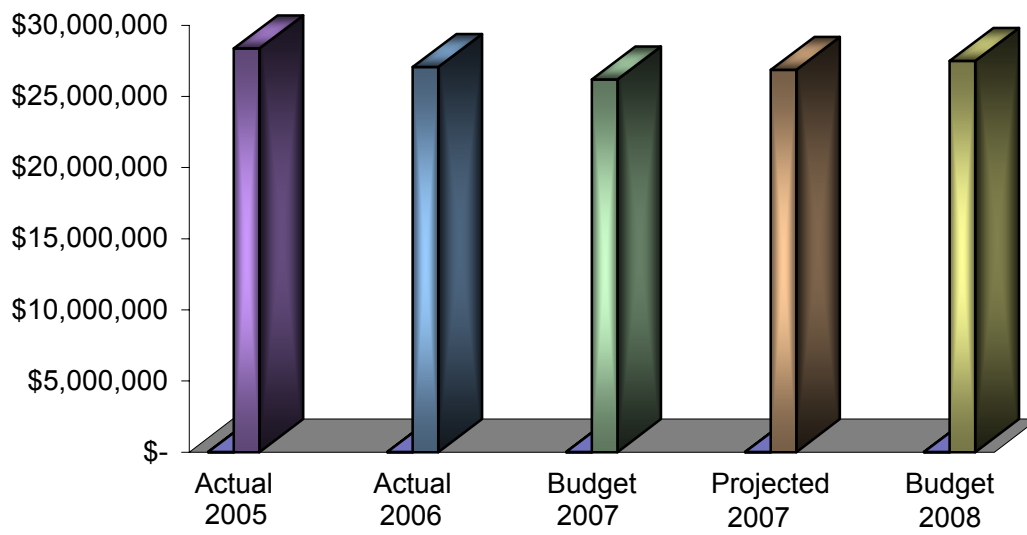


## **Debt Service Fund**

The Debt Service Fund was established to account for all principal and interest payments on the County's long-term debt. This fund is accounted for using the modified accrual method of accounting. The long-term debt is composed of Hamilton County General Obligation Bonds, Department of Education Debt, and Certificates and Notes Payable.

### Debt Service Fund Expenditures



**Debt Service Fund Budget Summary**  
**Schedule of Revenue and Expenditures**

	Actual 2005	Actual 2006	Amended Budget 2007	Projected 2007	Adopted Budget 2008
<b><u>Revenues</u></b>					
Taxes	614	572	-	316	-
Intergovernmental	1,474,417	2,061,199	1,565,324	2,404,225	827,367
Charges for Services	424,231	460,247	450,000	465,107	450,000
Investment Earnings	19,702	7,961	12,000	49,077	12,000
Miscellaneous	267	-	-	-	-
Transfers from other funds	26,519,783	24,611,885	24,168,248	24,168,248	26,200,300
<b>Total Revenues</b>	<b>28,439,014</b>	<b>27,141,864</b>	<b>26,195,572</b>	<b>27,086,973</b>	<b>27,489,667</b>
<b><u>Expenditures</u></b>					
Trustee Commission	12,950	11,621	22,000	23,237	22,000
Retirement of Principal	18,927,005	17,870,000	18,047,005	18,047,005	16,692,736
Retirement of Notes	1,226,600	1,552,405	1,347,100	1,347,100	1,412,000
Bond Service Charge	21,339	38,966	20,000	35,510	36,000
Commercial Paper Interest & Fees	-	-	-	-	3,389,875
Interest	7,314,041	6,737,972	5,897,264	6,560,134	5,158,315
Administrative Expense	22,535	11,867	20,000	7,884	15,000
Payment to City	563,203	555,963	557,203	557,203	478,741
Interfund Transfer	285,000	285,000	285,000	285,000	285,000
<b>Total Expenditures</b>	<b>28,372,673</b>	<b>27,063,794</b>	<b>26,195,572</b>	<b>26,863,073</b>	<b>27,489,667</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>66,341</b>	<b>78,070</b>	<b>-</b>	<b>223,900</b>	<b>-</b>
<b>Excess of non-budgeted revenues over non-budgeted expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Restate beginning fund balance for GASB 33</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Beginning Fund Balance</b>	<b>1,276,838</b>	<b>1,343,179</b>	<b>1,421,249</b>	<b>1,421,249</b>	<b>1,645,149</b>
<b>Fund Balance at end of year</b>	<b>1,343,179</b>	<b>1,421,249</b>	<b>1,421,249</b>	<b>1,645,149</b>	<b>1,645,149</b>

## Debt Service Fund – 012

### FUNCTION:

The Debt Service Fund is used for the accumulation of resources for, and the payment of, principal and interest on general long-term debt.

### PROGRAM COMMENTS:

General Obligation Bonds – Hamilton County periodically issues general obligation bonds for the acquisition and construction of major capital facilities. These bonds are direct obligations and are backed by the full faith and credit of the county. These bonds are generally issued as 15 to 20 year serial bonds. In the 2004 serial bonds \$10 million was borrowed for a 30 year term beginning with the 2004 issue. General obligation bonds are summarized by issue as follows: (See detail schedules)

#### Principal Amount

Series	Interest	General	School
	Rates		
1997	5.00-5.125%	775,541	16,874,459
1998A	4.50-5.00%	7,456,842	1,398,158
1998B	4.40-5.10%	5,560,000	-
2000	5.00-5.30%	5,402,547	26,412,453
2002	4.00%	2,623,750	7,871,250
2004	4.00-4.65%	24,555,000	8,800,000
		46,373,680	61,356,320

The County's annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June	Annual Redemption General & School	Annual Interest General & School	Total
2008	16,425,000	4,793,315	21,218,315
2009	13,180,000	4,123,415	17,303,415
2010	13,155,000	3,496,189	16,651,189
2011	10,775,000	2,911,345	13,686,345
2012-2034	54,195,000	12,874,729	67,069,729
		107,730,000	135,928,993

Commercial Paper – The County Commission adopted a resolution on June 21, 2006 authorizing the County to participate in a Commercial Paper program in an aggregate principal amount not to exceed \$125,000,000. In order to provide liquidity for the payment of the principal of maturing Commercial Paper, the County entered into a Standby Note Purchase Agreement (the "Credit Agreement") with the Initial Bank simultaneously with the initial issuance and delivery of the Commercial Paper. The aggregate principal amounts of all advances made on any date may not exceed the outstanding available commitment amount under the Credit Agreement. The balance outstanding as of June 30, 2007 is \$25,000,000.

Notes Payable – The County entered into a Loan Agreement (the "Agreement") with the Public building Authority of the County of Montgomery, Tennessee (the "Authority") on February 2, 1996. This Agreement reserves funds for the County in the amount of \$9,500,000 (the "Loan") from the proceeds of The Authority's Adjustable Rate Pooled Financing Revenue Bonds (Tennessee County Loan Pool), Series 1995. The County is obligated under the Agreement to repay the Loan in installments consisting of (i) principal repayments payable annually for a 15 year term in certain amounts and on certain dates as specified in the Agreement, and (ii) interest and certain expenses calculated and billed at the rate, or rates, and on the date, or dates, specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for its payment. As of June 30, 2001, the County has withdrawn \$9,500,000 of the Funds reserved. The County makes monthly withdrawals from the Authority to fund certain public works projects and the incidental and necessary expenses related thereto. At June 30, 2007, the balance due per the Agreement was \$3,317,400.

## Debt Service Fund (continued)

### PROGRAM COMMENTS: - Continued

Notes Payable – The County entered into a Loan Agreement (the “Agreement”) with the Public Building Authority of the County of Montgomery, Tennessee (the “Authority”) on November 17, 1999. This Agreement reserves funds for the County in the amount of \$9,000,000 (the “Loan”) from the proceeds of the Authority’s Adjustable Rate Pooled Financing Revenue Bonds (Tennessee County Loan Pool), Series 1997. The County is obligated under the Agreement to repay the Loan in installments consisting of (i) principal repayments payable annually for a 14 year term in certain amounts and on certain dates as specified in the Agreement, and (ii) interest and certain expenses calculated and billed at the rate, or rates, and on the date, or dates, specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit, and taxing power of the County are irrevocable pledged for its payment. As of June 30, 2001, the County has withdrawn \$9,000,000 of the Funds reserved. The County makes monthly withdrawals from the Authority to fund certain public works projects and the incidental and necessary expenses related thereto. At June 30, 2007, the balance due per the Agreement was \$5,113,000.

Finley Stadium Project – In February 1996, Hamilton County entered into an agreement with the City of Chattanooga to provide equal funding for the development of the Stadium Project and other project-related purposes. The City of Chattanooga issued \$13,000,000 of 20-year serial bonds at interest rates ranging from 4.5% to 5.7%. Hamilton County agreed to repay the City of Chattanooga for 50% of the principal and interest payments due on the bonds. Hamilton County’s obligation under the terms of the agreement at June 30, 2007 is \$4,242,893.

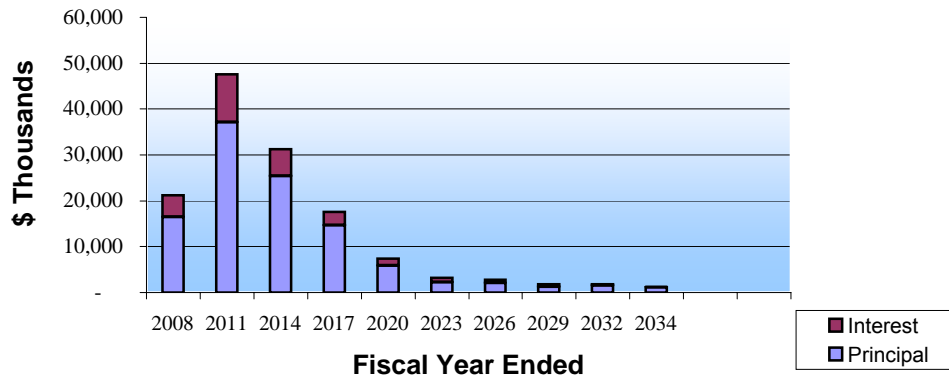
Debt Paid through Hotel-Motel Occupancy Tax Collections – Hamilton County has pledged future proceeds from its Hotel-Motel occupancy tax to repay the principal and interest on bonds issued by the City of Chattanooga for the Memorial Auditorium (\$2,500,000) and the Bessie Smith Hall (\$500,000) and bonds issued by the City of East Ridge for the Camp Jordan Park (\$1,000,000). The County’s remaining obligations under the agreements at June 30, 2007 are \$364,995.

Contract with CCA – In 1998, Hamilton County amended its contract with Corrections Corporation of America (CCA) for the management of the Silverdale Correctional Facility (Hamilton County Penal Farm). Among other items, the contract amendment authorized CCA to construct an expansion to the Silverdale Correctional Facility at a cost not to exceed \$4,000,000. The County agreed to repay the cost of the expansion over a 15-year period. The County’s remaining obligations under this agreement as of June 2007 are \$1,685,470.

Department of Education 2003 Loan Agreement – In 2003, Hamilton County entered into an agreement with the Tennessee State School Bond Authority. The Agreement reserved funds for Hamilton County in the amount of \$1,365,000 from the proceeds of the Tennessee State School Bond Authority’s Qualified Zone Academy Bonds, Series 2003. The draws from the Loan are required to be spent on behalf of the Hamilton County Department of Education to renovate, repair and equip certain schools in the County School System. The County is obligated to repay the Loan in installments consisting of principal and certain administrative expenses payable annually over a 15-year term. The Loan does not bear interest charges. The County’s remaining objections under this agreement as of June 2007 are \$1,088,800.

County’s General Obligation Bonds, Series 2004 – The Hamilton County Water and Wastewater Treatment Authority agreed to reimburse Hamilton County for a portion of the debt service requirements on the County’s General Obligation Bonds, Series 2004 (for water and wastewater treatment projects). Future reimbursements by the Hamilton County Water and Wastewater Treatment Authority for debt service on the bonds at June 30, 2007 are \$16,351,060.

### ***Total Debt Service Requirements***



***Hamilton County's debt retirement schedule is very aggressive, based on a 15-year level principal repayment.***

***Section 5-10-501 to 5-10-509, inclusive, of the laws of the State of Tennessee provide that bonds may be issued without regard to any limit or indebtedness for Tennessee Counties.***

**HAMILTON COUNTY, TENNESSEE  
DEBT SERVICE FUND  
REQUIREMENTS FOR FUTURE YEARS  
AS OF JUNE 30, 2007**

<b>Fiscal Year Ended</b>	<b>Balance at Beginning of Fiscal Year</b>	<b>Annual Redemption</b>	<b>Annual Interest Requirements</b>	<b>Total Annual Requirements</b>
06/30/2008	\$ 107,730,000	\$ 16,425,000	\$ 4,793,315	\$ 21,218,315
06/30/2009	91,305,000	13,180,000	4,123,415	17,303,415
06/30/2010	78,125,000	13,155,000	3,496,189	16,651,189
06/30/2011	64,970,000	10,775,000	2,911,345	13,686,345
06/30/2012	54,195,000	10,795,000	2,394,615	13,189,615
06/30/2013	43,400,000	7,285,000	1,875,357	9,160,357
06/30/2014	36,115,000	7,310,000	1,534,188	8,844,188
06/30/2015	28,805,000	6,065,000	1,222,513	7,287,513
06/30/2016	22,740,000	6,080,000	936,135	7,016,135
06/30/2017	16,660,000	2,575,000	737,230	3,312,230
06/30/2018	14,085,000	2,600,000	630,493	3,230,493
06/30/2019	11,485,000	2,625,000	522,590	3,147,590
06/30/2020	8,860,000	665,000	410,533	1,075,533
06/30/2021	8,195,000	690,000	378,095	1,068,095
06/30/2022	7,505,000	730,000	344,187	1,074,187
06/30/2023	6,775,000	765,000	308,457	1,073,457
06/30/2024	6,010,000	800,000	271,032	1,071,032
06/30/2025	5,210,000	840,000	231,785	1,071,785
06/30/2026	4,370,000	400,000	202,575	602,575
06/30/2027	3,970,000	420,000	184,175	604,175
06/30/2028	3,550,000	440,000	164,855	604,855
06/30/2029	3,110,000	460,000	144,615	604,615
06/30/2030	2,650,000	480,000	123,225	603,225
06/30/2031	2,170,000	505,000	100,905	605,905
06/30/2032	1,665,000	530,000	77,422	607,422
06/30/2033	1,135,000	555,000	52,777	607,777
06/30/2034	580,000	580,000	26,970	606,970
<b>TOTAL</b>		<b>\$107,730,000</b>	<b>\$28,198,993</b>	<b>\$135,928,993</b>

**HAMILTON COUNTY, TENNESSEE**  
**DEBT SERVICE FUND**  
**SCHEDULE OF INTEREST REQUIREMENTS FOR**  
**FISCAL YEAR ENDED JUNE 30, 2008**

<b>Bond Redemption</b>	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Outstanding June 30, 2007</b>	<b>Interest Payable</b>
General Improvement	5-1-97	5.00	\$ 310,216	\$ 15,511
General Improvement	5-1-97	5.125	465,325	23,848
General Improvement	3-1-98-A	4.50	2,130,526	71,905
General Improvement	3-1-98-A	4.55	1,065,263	48,469
General Improvement	3-1-98-A	4.65	1,065,263	49,535
General Improvement	3-1-98-A	4.75	1,065,263	50,600
General Improvement	3-1-98-A	4.85	1,065,263	51,665
General Improvement	3-1-98-A	5.00	1,065,264	53,263
General Improvement	3-1-98-B	4.40	200,000	4,400
General Improvement	3-1-98-B	4.50	210,000	9,450
General Improvement	3-1-98-B	4.60	220,000	10,120
General Improvement	3-1-98-B	4.65	225,000	10,463
General Improvement	3-1-98-B	4.75	235,000	11,163
General Improvement	3-1-98-B	4.875	250,000	12,187
General Improvement	3-1-98-B	5.00	830,000	41,500
General Improvement	3-1-98-B	5.10	3,390,000	172,890
General Improvement	11-1-00	5.00	4,802,264	225,106
General Improvement	11-1-00	5.30	600,283	31,815
General Improvement	10-15-02	4.00	2,623,750	76,525
General Improvement	2-10-04	4.00	1,476,667	59,067
General Improvement	2-10-04	5.00	2,968,333	148,417
General Improvement	2-10-04	4.00	12,123,333	484,933
General Improvement	2-10-04	4.125	1,556,667	64,212
General Improvement	2-10-04	4.50	1,680,000	75,600
General Improvement	2-10-04	4.60	1,640,000	75,440
General Improvement	2-10-04	4.65	3,110,000	144,615
<b>TOTAL GENERAL IMPROVEMENT BONDS</b>			<b>\$ 46,373,680</b>	<b>\$ 2,022,699</b>



**HAMILTON COUNTY, TENNESSEE**  
**DEBT SERVICE FUND**  
**SCHEDULE OF INTEREST REQUIREMENTS FOR**  
**FISCAL YEAR ENDED JUNE 30, 2008**

<b>Bond Redemption</b>	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Outstanding June 30, 2007</b>	<b>Interest Payable</b>
School Series	5-1-97	5.00	\$ 6,749,784	\$ 337,489
School Series	5-1-97	5.125	10,124,675	518,890
School Series	3-1-98-A	4.50	399,473	13,482
School Series	3-1-98-A	4.55	199,737	9,088
School Series	3-1-98-A	4.65	199,737	9,288
School Series	3-1-98-A	4.75	199,737	9,488
School Series	3-1-98-A	4.85	199,737	9,687
School Series	3-1-98-A	5.00	199,737	9,987
School Series	11-1-00	5.00	23,477,736	1,100,519
School Series	11-1-00	5.30	2,934,717	155,540
School Series	10-15-02	4.00	7,871,250	229,575
School Series	2-10-04	4.00	733,333	29,333
School Series	2-10-04	5.00	1,466,667	73,333
School Series	2-10-04	4.00	5,866,667	234,667
School Series	2-10-04	4.125	733,333	30,250
TOTAL SCHOOL BONDS			61,356,320	2,770,616
TOTAL GENERAL IMPROVEMENT BONDS			46,373,680	2,022,699
TOTAL BONDS			<u>\$ 107,730,000</u>	<u>\$ 4,793,315</u>

**HAMILTON COUNTY, TENNESSEE**  
**SUMMARY OF DEBT SERVICE AND OTHER OBLIGATIONS**  
**AS OF JUNE 30, 2007**

**Payments Due in Fiscal Year 2008**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bonded debt	\$ 16,425,000	\$ 4,793,315	\$ 21,218,315
1996 Loan Agreement	764,000	150,000	914,000
1999 Loan Agreement	648,000	215,000	863,000
Finley Stadium Project	320,000	158,741	478,741
Silverdale Correctional Facility	267,736	-	267,736
Short-Term Commercial Paper	**	3,048,041	3,048,041
Total payments due in fiscal year 2008	<u>\$ 18,424,736</u>	<u>\$ 5,317,056</u>	26,789,833
Administrative Expenses			699,834
			27,489,667
Less: reimbursements by WWTa on Bonded Debt			(627,367)
Net debt service and other obligations			<u>\$ 26,162,466</u>

**Total Debt Obligations at June 30, 2007**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bonded debt	\$107,730,000	\$28,198,993	\$135,928,993
1996 Loan Agreement	3,317,400	*	3,317,400
1999 Loan Agreement	5,113,000	*	5,113,000
Finley Stadium Project	3,445,000	797,893	4,242,893
Hotel Motel Occupancy Tax debt			
City of Chattanooga	170,000	12,240	182,240
City of East Ridge	170,000	12,755	182,755
Silverdale Correctional Facility	1,685,470	-	1,685,470
Dept. of Education 2003 Loan Agreement	1,088,800	-	1,088,800
Short-Term Commercial Paper	25,000,000	**	25,000,000
Total debt obligations outstanding	<u>\$147,719,670</u>	<u>\$29,021,881</u>	176,741,551
Less: Reimbursements by WWTa			(16,351,060)
Net debt obligations outstanding			<u>\$160,390,491</u>

\* The interest rates on the 1996 and 1999 Loan Agreements are adjustable. Actual interest expense is unknown.

\*\* The interest rates and maturity dates on the short-term Commercial Paper vary. Actual interest expense and date of final payoff is unknown. The total Commercial Paper outstanding is shown as of April 30, 2007.

